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STATE OF CONNECTICUT DEPARTMENT OF REVENUE SERVICES **SN 2003(5.1)**

SPECIAL NOTICE

Sales and Use Taxes on Magazines and Newspapers

Purpose: **Special Notice 2003(5)** has been revised in response to legislation enacted on April 11, 2003, that affects sellers of newspapers now that the exemption in Conn. Gen. Stat. §12-412(6) for sales of magazines and newspapers has been repealed. This Special Notice also provides transitional rules for applying tax to sales of subscriptions occurring before and after April 1, 2003.

Effective Date: Applicable to sales of magazines and newspapers occurring on and after April 1, 2003.

Statutory Authority: 2003 Conn. Pub. Acts 4; 2003 Conn. Pub. Acts §58, repealing Conn. Gen. Stat. §12-412(6); Conn. Gen. Stat. §12-412(27).

Sales of Magazines and Newspapers Are Taxable: Effective April 1, 2003, all sales of newspapers and magazines, including sales by subscriptions, are subject to Connecticut sales and use taxes. The exemption in Conn. Gen. Stat. §12-412(6) for sales of newspapers and magazines by subscription has been repealed.

Over-the-counter sales of magazines have been and remain subject to tax. As of April 1, 2003, all sales of magazines and newspapers are taxable whether sold over the counter or from honor boxes in Connecticut or by subscription to Connecticut subscribers. Sales of magazines and newspapers mailed or delivered to out-of-state subscribers or purchasers are not subject to Connecticut sales and use taxes.

Sellers of Magazines and Newspapers: A *Connecticut seller* is a seller having any physical presence in Connecticut, including, generally, owning or leasing real or tangible personal property in Connecticut, maintaining an office in Connecticut, or having agents or employees present in Connecticut.

A Connecticut seller that sells magazines or newspapers to purchasers in Connecticut must register with the Department of Revenue Services (DRS) as a retailer by filing **Form REG-1, Business Taxes Registration Application** (if the magazines or newspapers are sold from a location within Connecticut), or **Form REG-7, Application for Authority to Collect Connecticut Use Tax** (if the magazines or newspapers are sold from a location outside Connecticut). The Connecticut seller must charge, collect, and remit sales or use tax to DRS.

A purchaser of magazines or newspapers in Connecticut is liable for use tax on the purchase of those magazines or newspapers, if the seller of the magazines or newspapers does not charge and collect Connecticut sales or use tax. If not charged tax by the seller, the purchaser must self-assess the use tax. It is the purchaser's responsibility to determine if the seller charged the tax, and if not, to pay the tax directly to DRS.

Newspaper Carriers: When a producer or wholesaler of newspapers, including a publisher, sells newspapers to a person whose only business is to sell and deliver them and who is not otherwise required to obtain a seller's permit (a carrier), the producer or wholesaler must collect sales tax at the point of transfer to the carrier on the stated retail price of the newspapers.

The carrier may add an amount to the price of the newspapers equal to the amount paid as sales tax to the producer or wholesaler, and the carrier is not required to remit that amount to DRS.

Example: A newspaper publisher sells 100 copies of its daily newspaper to a carrier. The publisher charges the carrier 45¢ a copy, and the retail price per copy is 50¢. The publisher charges the carrier a sales price of \$45 (45¢ x 100). The publisher must also charge the carrier \$3 (6% of the retail price of \$50) in tax, which the publisher must remit to DRS. The carrier charges each customer 50¢ a copy and may add 3¢ to the charge as reimbursement for the tax the carrier paid to the

publisher on the carrier's purchase of the newspapers from the publisher. The carrier is not required to remit the reimbursed 3¢ charge to DRS.

Publications Received Electronically: Charges to access magazines or newspapers over the Internet are considered charges for on-line access to information, and are taxable as computer and data processing services at the reduced rate of 1%. The tax on computer and data processing services is scheduled to be repealed for sales made on or after July 1, 2004. Computer and data processing services are subject to tax if the purchaser's computer equipment used to access the information is located in Connecticut. In the case of mobile computer equipment, the benefit of the service is received in Connecticut if the home base of the mobile computer is located in Connecticut.

Transitional Rules for Applying Sales Tax to Sales of Subscriptions Occurring Before and After April 1, 2003

- Over-the-counter and honor box sales of magazines or newspapers on or after April 1, 2003, are subject to sales and use taxes at the rate of 6%.
- Payments made before April 1, 2003, for a subscription period beginning before April 1, 2003, and ending after that date are not taxable.
- Payments made before April 1, 2003, for a subscription period beginning on or after April 1, 2003, are fully taxable.
- Payments made on or after April 1, 2003, for a subscription period beginning before April 1, 2003, and ending after that date are taxable on the portion of the subscription provided on or after April 1, 2003.
- Payments made on or after April 1, 2003, that are for past due charges for subscription periods that ended before April 1, 2003, are not taxable.

Tax must be paid with the **Form OS-114, Sales and Use Tax Return**, that is due on the last day of the month following the tax period in which charges are made.

Information for New Retailers: Sellers that will charge and remit sales and use taxes for the first time should consult **Informational Publication 2000(26), Getting Started In Business**, for information on how to register as retailers and file sales and use tax returns.

Effect on Other Documents: This Special Notice supersedes **Special Notice 2003(5), Sales and Use Taxes on Magazines and Newspapers**.

Effect of This Document: A Special Notice is a document that announces a new policy or practice in response to changes in State or federal laws or regulations or to judicial decisions. A Special Notice indicates an informal interpretation of Connecticut tax law by DRS and may be referred to for general guidance by taxpayers or tax practitioners.

For Further Information: Please call DRS during business hours, Monday through Friday:

- **1-800-382-9463** (in-state), or
- **860-297-5962** (from anywhere)

TTY, TDD, and Text Telephone users only may transmit inquiries 24 hours a day by calling 860-297-4911.

Forms and Publications: Forms and publications are available all day, seven days a week:

- **Internet:** Preview and download forms and publications from the DRS Web site: **www.drs.state.ct.us**
 - **DRS TAX-FAX:** Call **860-297-5698** from the handset attached to your fax machine and select from the menu.
 - **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (in-state) and select **Option 2** from a touch-tone phone.
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Paperless Filing Methods (fast, easy, free, and confidential):

- **For business returns:** Use **Fast-File** to electronically file sales and use taxes, business use tax, room occupancy tax, or withholding tax returns over the internet or telephone. Visit the DRS Web site at: **www.drs.state.ct.us** and click on **File Returns On-Line**.
 - **For resident income tax returns:** Use **WebFile** to file personal income tax returns over the Internet. Visit the DRS Web site at: **www.drs.state.ct.us** and click on **File Returns On-Line**.
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